A4150-14

THE ADVERTISING FUNCTION
AND ACTIVITIES
IN THE FOOD MARKETING INDUSTRY

Special Research Report Number 33

January 1983

Food Marketing Institute
Research Division
1750 K. St., N.W.
Washington, D.C. 20006

Price: $2.50 Member
$5.00 Nonmember

The Food Marketing Institute (FMI) is a non-profit association that conducts programs in research, education and public affairs on behalf of its 1,100 members--food wholesalers and retailers and their customers in the United States and overseas. FMI's domestic member companies operate over 17,000 retail food stores with a combined annual sales volume of $120 billion--half of all grocery sales in the United States. More than two-thirds of FMI's membership is comprised of independent supermarket operators or small regional firms. Its international membership includes more than 100 members from 37 nations.

EXECUTIVE SUMMARY

The primary responsibility for the advertising function may reside with many different positions. The chief executive officer in companies of 10 or fewer stores will often retain this responsibility. As companies expand, a separate advertising function usually develops, with the top executive normally holding the title of director or vice president of advertising. The average advertising department in a retail firm will employ one clerical person and one professional person; however, departments in wholesale firms will tend to be larger.

The course followed in the development of an ad will often involve the merchandising department. In the first two steps, selecting sale items and initiating the ad, someone in the merchandising function is more likely to be involved than a person in another function. However, final approval is normally the task of the company's top executive or the advertising department.

With an ad budget of one percent of sales, the typical company will disburse over half the budget on newspapers and about 20 percent on mailers and flyers. Ninety-four percent of all participating companies use newspapers to advertise. Over 70 percent use mailers and flyers and a similar percent use radio. The total advertising budget is usually determined as a percent of prior or forecast sales, although a few companies may also develop their budget based on other criteria such as necessity or newspaper costs.

Few activities are typically accomplished in-house. The designing of black-and-white ads and of 4-color ads are the only two activities done in-house by the majority of companies. Companies without a person specifically designated with advertising responsibilities tend to rely on wholesalers and ad agencies for help on television, radio and print advertising.

Sixty-seven percent of all companies use one or more procedures to measure the effectiveness of their advertising. Of those who did measure their advertising, 78 percent relied on tracking sales as one method.

TABLE OF CONTENTS

Executive Summary.....iii

Introduction.....1
Methodology.....1
Profile of Participants.....1

Organization.....2
Title.....2
Reporting Structure.....3
Time Spent on Advertising.....3
Number of Employees in Department.....3
Development of Ads.....4

Budget.....7
Co-op Dollars.....7
Distribution of Advertising Budget.....8
Stability of Budget.....9
Determining the Advertising Budget.....10
Charge Back for Activities.....10

Activities.....11
Video.....11
In-House Activities.....12
Other Methods for Activities.....13
Media Use.....15
Ad Agencies.....16
Advertising Effectiveness.....16

Appendix.....17
Questionnaire.....17

INTRODUCTION

Advertising is a major part of the total marketing concept. Skillful, well-planned advertising is vital for a company to successfully merchandise its products. Besides being the vehicle used to increase customer traffic and sales, advertising also informs customers about the features and availability of merchandise and services offered by the company. Even more important is the image it conveys about the company: from each ad, customers form an opinion about that store from the items selected to the "look" of the ad.

Because of the importance of advertising, a survey was designed to investigate the advertising function and activities in food retail and wholesale companies.

We would like to express our appreciation to those on the FMI Advertising Planning Committee for their direction and review during the design of the questionnaire. This help provided a useful picture of the array of functions and activities involved in the advertising department and in a profile of the advertising organization within a typical company.

Methodology

During the fall of 1982 an advertising questionnaire was sent to each U.S. and Canadian Food Marketing Institute member. This questionnaire was designed to investigate many aspects of food retail and wholesale advertising, such as the organization of the advertising department, the typical budget and how it is spent, and the various activities that are included in an advertising department. Questions were asked not only of those companies with a person primarily in the advertising function but also of those companies who do not have a person primarily responsible for advertising.

Surveys were addressed to the Vice President of Advertising and sent to 1,096 companies. Two mailings were distributed. Thirty percent of these companies returned completed questionnaires.

Profile of Participants

The first part of the survey requesting information from those companies with a person primarily responsible for the advertising function was answered by 232 companies. Of these, 88 percent were retailers and 12 percent were wholesalers. Eighteen percent of the retailers were one-store operators, 42 percent owned two to 10 stores, 26 percent had 11 to 49 stores and 16 percent owned 50 or more stores.

In the second part of the survey, 93 companies reported that they did not have a person primarily responsible for advertising. Of these, 91 were retailers and two were wholesalers. A large majority of these 91 retailers were smaller companies: 33 percent were one-store operators, 59 percent owned two to 10 stores and eight percent owned 11 to 49 stores. None had more than 49 stores.

ORGANIZATION

Title

The purpose of one section of the survey was to determine the organization of the advertising department. To begin, companies were asked the title of the senior executive who had primary responsibility for the advertising function. An overview of the responses appears in Table 1. Almost a majority of companies (46 percent) said that this person's title included the function of advertising. For example, of the total, 25 percent were directors of advertising, nine percent were vice presidents of advertising, 11 percent were managers of advertising and one percent were advertising coordinators. Vice presidents and directors of advertising were more likely to be employed by larger retailers, those retailers with over 10 stores, or by wholesalers.

The next significant position with responsibility for advertising was that of the top executive (president, owner or chief executive officer). Nineteen percent of the companies said that their president, owner or chief executive officer had primary responsibility for advertising. This occurred in 63 percent of the one-store operations, 24 percent of the companies with two to 10 stores, two percent of companies with 11 to 49 stores and four percent of all wholesalers. No retailers with over 49 stores reported their top executive was the person with primary advertising responsibility.

In smaller companies, besides the top executive, other positions will often have primary responsibility. The store manager and general manager play an important part in companies with fewer than 11 stores. However, as companies get larger, the director of advertising title becomes more prevalent. In companies with over 11 stores, 39 percent of the time the person with primary advertising responsibility will be a director of advertising. The title of vice president of advertising is found more often in companies with 50 or more stores.

Table 1

Title of Primary Advertising Executive

	Total	Total Retailers	Total Wholesalers	Retail Store Count 1	2-10	11-49	50+
Total Companies	219	190	26	32	76	45	31
	100%	100%	100%	100%	100%	100%	100%
Top Executive	19%	21%	4%	63%	24%	2%	-0-
Advertising Function	45%	43%	65%	12%	30%	69%	75%
Included in Advertising:							
Vice President	9%	8%	15%	-0-	1%	13%	29%
Director	25%	24%	31%	6%	16%	40%	39%
Manager	11%	11%	19%	6%	12%	16%	7%
Coordinator	1%	1%	-0-	-0-	1%	-0-	-0-
Merchandising Function	3%	3%	8%	-0-	3%	2%	6%
Marketing Function	8%	8%	8%	-0-	3%	13%	16%
General Manager	6%	7%	-0-	3%	17%	-0-	-0-
Store Manager	3%	3%	-0-	16%	1%	-0-	-0-
Miscellaneous	15%	15%	15%	7%	22%	14%	4%

Reporting Structure

Reporting structure is very stable given the wide variety of titles of those with advertising responsibility. Forty-seven percent of all those with advertising responsibilities report to the top executive of their company. This includes 55 percent of the vice presidents of advertising, 44 percent of all advertising managers and 33 percent of all advertising directors. The majority of other positions, such as vice president of marketing, director of marketing, vice president of merchandising, general manager and store manager also report to the top executive. In eighteen percent of the cases this question is not applicable since it is the top executive who has the primary responsibility.

Time Spent on Advertising

The proportion of time spent on advertising depends on the position held. Forty-three percent of all respondents spend 50 percent or more of their time on advertising. The typical amount of time is 30 percent. However, when those whose title includes the function of advertising are segregated from the other respondents, the amount of time rises dramatically. Eighty-four percent of these people spend 50 percent or more of their time on advertising and 39 percent spend 100 percent of their time on advertising. Eighty percent is the typical amount of time for these people. Table 2 illustrates the percentage of time spent on advertising.

Table 2

Percentage of Time Spent on Advertising

	Total	Total Retailers	Total Wholesalers	Retail Store Count 1	2-10	11-49	50+
Total Companies	222	192	27	35	78	43	30
Time Spent	100%	100%	100%	100%	100%	100%	100%
Less than 10%	16%	18%	4%	49%	19%	5%	-0-
10 - 24%	28%	27%	26%	37%	41%	7%	10%
25 - 49%	13%	14%	7%	9%	14%	19%	17%
50 - 74%	15%	15%	22%	6%	9%	23%	17%
75 - 100%	28%	26%	41%	-0-	17%	47%	57%

Number of Employees in Department

The next area in organization is the number of employees in the advertising department. As could be expected, wholesalers and larger retailers have more employees in the advertising department. Wholesalers typically have four professional and two clerical employees. In the retail category the number of employees increases with the number of stores. In companies of one to 10 stores, there are typically one professional and one clerical; in firms with 11 to 49 stores, there are three professionals and one clerical. And finally, companies with 50 or more stores have the largest departments with an average of five professionals and three clericals. Tables 3 and 4 present the number of both professional and clerical personnel employed in advertising departments.

Table 3

Number of Clerical Advertising Employees

	Total	Total Retailers	Total Wholesalers	Retail Store Count 1	2-10	11-49	50+
Total Companies	129	102	26	9	28	33	28
	100%	100%	100%	100%	100%	100%	100%
Employees							
1 or Less	48%	55%	23%	100%	71%	67%	18%
2 or fraction of 2	24%	21%	35%	-0-	14%	24%	22%
3 - 5	16%	15%	19%	-0-	11%	6%	36%
6 or More	13%	10%	23%	-0-	4%	3%	25%

Table 4

Number of Professional Advertising Employees

	Total	Total Retailers	Total Wholesalers	Retail Store Count 1	2-10	11-49	50+
Total Companies	156	102	26	15	40	40	28
	100%	100%	100%	100%	100%	100%	100%
Employees							
1 or Less	38%	45%	4%	73%	65%	35%	11%
2 or fraction of 2	17%	15%	31%	13%	25%	13%	7%
3 - 5	24%	23%	27%	13%	10%	38%	32%
6 or More	21%	18%	38%	-0-	-0-	15%	50%

Procedure for Developing Ads

The selection of items to be featured in the store's ads is an important decision. The selection process depends on the item availability, store philosophy and demographics of the store's customers. In companies which do not have a person specifically designated in the advertising function, several people within the firm may have the authority to decide which items are placed in ads (see Table 5). These are usually smaller companies, with ten or fewer stores. Here the persons most likely to select sale items are the department managers (29 percent), the top executive (26 percent), the store manager (24 percent), or the merchandiser/buyer (14 percent). In addition, 22 percent of the companies rely on help from their wholesaler. This would often be the case since it is the wholesaler who would be doing the initial buying of the products and may be supplying the ads for the store. Many other people in the retail companies may also help determine which products to advertise.

Table 5

Who Selects Sale Items
in Companies without a Primary Advertising Executive*

	Total Retailers	Retail Store Count 1	2-10	11-49
Total Companies	87	28	50	7
Department Manager	29%	39%	26%	14%
Top Executive	26%	32%	26%	-0-
Store Manager	24%	21%	26%	14%
Wholesaler	22%	39%	14%	14%
Merchandising/Buying	14%	-0-	18%	43%
Operations	11%	4%	14%	14%

* Multiple answers accepted.

In companies where there is a person with primary advertising responsibility, there is usually only one person who is more likely than any other person to make the selection of items for inclusion in company ads, (see Table 6). In 41 percent of all companies, merchandisers, buyers or the head of merchandising are responsible for selecting advertised or sale items. This is more probable in wholesale firms (65 percent) than in retail firms (37 percent). However, in retail companies as the company becomes larger this responsibility shifts from the top executive to the merchandiser/buyer or top merchandising person. The advertising, sales and promotions departments also become more actively involved in product selection as the company becomes larger.

Table 6

Who Selects Sale Items
in Companies with a Primary Advertising Executive*

	Total	Total Retailers	Total Wholesalers	Retail Store Count 1	2-10	11-49	50+
Total Companies	220	191	26	34	74	46	31
Top Executive	15%	17%	-0-	41%	24%	2%	-0-
Merchandising Function	41%	37%	65%	6%	32%	57%	55%
Advertising/Sales/ Promotion Function	17%	14%	42%	3%	11%	24%	23%
Department Manager	14%	15%	8%	35%	15%	4%	13%
Store Manager	10%	10%	4%	24%	14%	-0-	-0-
Product VP/Director/ Supervisor	9%	10%	12%	3%	3%	7%	10%
Committee	4%	4%	-0-	3%	1%	2%	10%

* Multiple answers accepted.

Once it is determined which items are to be advertised, the ad itself must go through an approval process. In order to track the path of ads, companies were asked about the two end points in this process: who initiated the ad and who gave the final approval for the ad.

No one function or department received a very high percentage concerning the initiator of the ad. However, the one functional area which was mentioned more than any other area was merchandising and buying. In 34 percent of the companies, a person in this area usually initiates the ad process after the ad items are selected. This percentage was higher in all wholesalers and in retail companies where there is a vice president, director or manager of advertising. Many other areas may be involved in this activity, such as sales, store manager, supervisor or top executive, see table 7.

Table 7

Who Initiated the Ad

	Total	Total Retailers	Total Wholesalers	Retail Store Count 1	2-10	11-49	50+
Total Companies	197	169	26	28	64	41	30
	100%	100%	100%	100%	100%	100%	100%
Merchandising/ Buying	34%	31%	54%	14%	22%	46%	40%
Advertising Function	19%	17%	35%	11%	14%	20%	30%
Store Level (Store Manager/ Department Manager)	13%	15%	-0-	36%	17%	7%	3%
Top Executive	7%	7%	-0-	21%	9%	-0-	-0-
Miscellaneous	27%	30%	11%	18%	38%	27%	27%

Final approval for ads is handled by many different positions. Table 8 presents the functional areas which received the highest response regarding who gives final approval before the ad is placed. There is less consistency about who handles this stage of the ad approval process than was seen in the initiator stage. The only position which received at least a quarter of the votes was the top executive. This position ranked high because of the smaller companies. Forty-seven of all companies with 10 or fewer stores said that it was the top executive who passed final approval on all ads. Larger retail companies, those with over 10 stores, responded that there were several positions which might give final approval. Final approval might come from the director of advertising (17 percent), a committee decision (16 percent), the vice president of advertising (12 percent), or the vice president of merchandising (11 percent). In wholesale companies, it was either the manager of advertising (23 percent), a committee (23 percent), or the director of advertising (15 percent).

Table 8

Who Gave Final Approval for Ad

	Total	Total Retailers	Total Wholesalers	Retail Store Count 1	2-10	11-49	50+
Total Companies	199	171	26	30	64	42	29
	100%	100%	100%	100%	100%	100%	100%
Top Executive	26%	29%	4%	50%	45%	10%	-0-
Advertising Function	23%	20%	39%	10%	11%	29%	38%
Committee Decision	12%	11%	23%	7%	6%	17%	14%
Merchandising Function	11%	11%	12%	-0-	2%	17%	31%
Store Level (Deptartment Manager/ Store Manager)	8%	9%	4%	23%	9%	-0-	3%
Miscellaneous	20%	21%	18%	10%	27%	27%	14%

BUDGET

Many questions regarding the budget of the advertising department were asked of those companies who had a person who was primarily responsible for the advertising function. The first question concerned the percentage of total sales invested in advertising by each company. The typical, or median, figure was one percent of sales for retailers. The typical promotional budget for wholesalers was one-and-a-half percent. Fifty-six percent of all companies spent one percent or less on advertising. In the retail category, the only group which fluctuated from the median of one percent was the one-store operator. Here the typical advertising expense was slightly higher at one-and-a-quarter percent.

Co-op Dollars

Co-op dollars are usually not included in this budget; 42 percent said they include co-op dollars, 58 percent said they did not. Table 9 shows that wholesalers are more likely to include co-op dollars in their advertising budget whereas retailers, especially the larger ones, are more apt to do the opposite and not include them.

Table 9

Whether Co-op Dollars are Included in Ad Budget

	Total	Total Retailers	Total Wholesalers	Retail Store Count 1	2-10	11-49	50+
Total Companies	213	187	23	34	76	42	29
	100%	100%	100%	100%	100%	100%	100%
Yes	42%	41%	52%	47%	43%	36%	35%
No	58%	59%	48%	53%	57%	64%	66%

Another question asked what percent of advertising expenses included co-op advertising. For the typical company, five percent of their advertising expenses are co-op dollars. This is also true for retailers with two to 10 stores and those with over 49 stores. For wholesalers, it was double this at 10 percent. The typical retail firm with 11 to 49 stores also said that 10 percent of all advertising expenses were co-op dollars. The lowest amount was registered for one-store operators, one percent (see Table 10).

Table 10

Percent of the Advertising Expenses which are Co-op Dollars

	Total	Total Retailers	Total Wholesalers
Total Companies	125	109	15
	100%	100%	100%
% Co-op Dollars			
Less than 5%	37%	39%	20%
5 - 9%	20%	21%	7%
10 - 14%	20%	19%	27%
15 and More	23%	20%	47%

Distribution of Advertising Budget

Companies were asked how they distribute their advertising budget. Table 11 shows the typical amount in each category. By far, newspapers received the largest share of the budget (57 percent). Following at a distance second were mailers and flyers (23 percent). Radio and television were tied for third with seven percent.

Table 11

Distribution of Advertising Budget

	Total
Total Companies	222
	100%
Newspapers	57%
Mailers/Flyers	23%
Radio	7%
Television	7%
Magazines	2%
Other	2%
Billboards	*
In-Store Coupons	*

* Less than one percent.

Besides considering the share of the advertising budget each type of media receives, another factor takes into account the type of projects included in the budget. Given a list of 10 items, companies were asked to check those items included in their budgets. Table 12 presents this data.

Table 12

Items included in the Advertising Budget

	Total	Total Retailers	Total Wholesalers	Retail Store Count 1	2-10	11-49	50+
Total Companies	208	181	24	30	71	45	30
	100%	100%	100%	100%	100%	100%	100%
Print Advertising	95%	94%	96%	90%	97%	91%	100%
Radio Air Time	77%	77%	71%	70%	68%	87%	93%
Production	63%	60%	92%	30%	42%	87%	90%
Institutional Advertising	61%	59%	71%	33%	45%	78%	90%
Signage	50%	51%	50%	40%	41%	67%	67%
Promotions	50%	50%	54%	43%	45%	56%	60%
Television Air Time	49%	45%	75%	7%	28%	69%	87%
Agency Fees	49%	49%	54%	20%	37%	67%	80%
Advertising Personnel Salaries	32%	28%	67%	3%	21%	42%	43%
Consumer Research	14%	15%	8%	3%	7%	18%	40%

Stability of Budget

Just over half (51 percent) of all companies said that their advertising budget increased from 1981 to 1982 (see Table 13). For 31 percent of the companies the budget remained the same and for 16 percent it decreased. The remaining two percent said that they had no advertising budget. For all companies, 21 percent increased their budgets by six to 10 percent, 14 percent increased their budgets by one to five percent.

Table 13

Change in Budget, 1981 to 1982

	Total	Total Retailers	Total Wholesalers	Retail Store Count 1	2-10	11-49	50+
Total Companies	202	176	23	34	70	41	25
	100%	100%	100%	100%	100%	100%	100%
Increased	51%	50%	57%	35%	51%	59%	60%
Remained the Same	31%	31%	30%	47%	29%	24%	32%
Decreased	16%	17%	13%	18%	17%	15%	4%
No Budget	2%	2%	-0-	-0-	1%	2%	4%

Determining the Advertising Budget

The majority of companies (58 percent) determined their advertising budget as a percent of sales either by a percent of projected or expected sales, or a percent of previous sales. The determination was based on either an annual or a quarterly calculation. Those companies who do not determine their advertising budget as a percent of sales rely on several other devices. Eleven percent allocate funds to the advertising budget according to what is believed necessary. Closely aligned with this philosophy is the allocation of monies depending on the sales volume desired. Four percent follow this method. Another four percent base their budget on newspaper costs and the amount of space needed to advertise. For six percent a management decision is the factor for calculating the advertising budget. Table 14 shows a complete picture of how companies determine their budget.

Table 14

Methods Used to Determine the Advertising Budget

	Total	Total Retailers	Total Wholesalers	Retail Store Count 1	2-10	11-49	50+
Total Companies	192	171	18	31	65	42	28
	100%	100%	100%	100%	100%	100%	100%
As a Percent of Sales	58%	60%	45%	58%	54%	71%	54%
By Needs/Necessary	11%	11%	11%	7%	9%	12%	18%
Management Decision	6%	6%	11%	7%	5%	2%	11%
Sales Volume Desired	4%	4%	6%	7%	2%	5%	4%
Based on Newspaper Costs	4%	4%	6%	10%	5%	-0-	4%
Committee	2%	2%	-0-	-0-	2%	5%	-0-
Miscellaneous	14%	14%	17%	13%	25%	2%	11%

Inflation was a factor in determining the advertising budget in only 65 percent of the companies. This was fairly consistent across all categories (see Table 15).

Table 15

Whether Inflation Played a Part in Determining Budget

	Total	Total Retailers	Total Wholesalers	Retail Store Count 1	2-10	11-49	50+
Total Companies	222	192	27	33	80	43	30
	100%	100%	100%	100%	100%	100%	100%
Yes	65%	64%	70%	64%	58%	70%	73%
No	35%	6%	30%	36%	42%	30%	27%

Charge Back for Activities

Seventy-eight percent of all companies do not charge other departments for activities performed for them by the advertising department. However, within company segments this varies considerably. For instance, wholesalers are more likely to charge back than any segment of retailers.

If companies do charge back, they were asked what part of operations is billed: salaries, expenditures or overhead. When companies charge back, it is usually for expenditures. Table 16, illustrates the percentage of companies which charge back.

Table 16

Charge back for Activities Performed by Advertising

	Total	Total Retailers	Total Wholesalers	Retail Store Count 1	2-10	11-49	50+
Total Companies	221	192	26	35	76	45	30
	100%	100%	100%	100%	100%	100%	100%
No	78%	84%	39%	91%	87%	78%	77%
Yes	22%	16%	61%	9%	13%	22%	23%
Included in Yes*:							
Salaries	9%	7%	19%	3%	5%	11%	10%
Expenditures	19%	14%	58%	9%	9%	22%	17%
Overhead	11%	8%	31%	6%	4%	11%	20%

* Multiple answers accepted.

ACTIVITIES

Video

Companies were asked a series of questions about various activities which might be performed in or by the advertising department. Video was the first of such activities investigated. Given a list of six activities, companies were asked if they used video to present any of the functions and, if they did, whether the video tape was produced in- or out-of-house.

The two activities most likely to involve video taping were commercials and in-store training. Forty-six percent of the companies tape TV spots and 42 percent tape in-store training programs. Video was used by less than a third of the companies for each of the other four activities (see Tables 17 and 18).

Table 17

Percentage of Companies Who Use Video

	Total Cos.	Total	Total Retailers	Total Wholesalers	Retail Store Count 1	2-10	11-49	50+
Promotional Sales	165	29%	22%	68%	-0-	7%	37%	68%
Commercials, TV Spots	190	46%	42%	71%	4%	21%	68%	89%
In-Store Training	177	42%	39%	64%	11%	33%	39%	81%
Public Relations	152	18%	15%	40%	4%	11%	27%	28%
Company Communications	153	23%	19%	47%	-0-	13%	23%	52%
Investor Relations	146	8%	5%	28%	3%	-0-	10%	16%

Table 18

Percent of Companies Producing Video In-House*

	Total Cos.	Total	Total Retailers	Total Wholesalers	Retail Store Count 1	2-10	11-49	50+
Promotional Sales	43	37%	29%	50%	-0-	25%	38%	21%
Commercial, TV Spots	78	19%	18%	13%	-0-	10%	21%	22%
In-Store Training	65	52%	54%	42%	-0-	29%	67%	67%
Public Relations	24	50%	44%	63%	-0-	17%	75%	50%
Company Communications	32	69%	70%	63%	-0-	50%	100%	73%
Investor Relations	11	36%	33%	40%	-0-	-0-	50%	33%

* Of those who use video for each activity.

In-House Activities

The one activity which is most likely to be done in-house is the designing of black-and-white print advertising. This is done by 88 percent of all companies. The next three activities usually handled in-house are the design of four-color ads (58 percent) and the design or production of company news booklets (46 percent). Except for script writing and producing radio commercials, wholesalers are far more likely to perform these tasks in-house than are retailers. Within the retail categories, it is more probable that larger companies will bring these activities in-house than smaller companies. However, this is not true of the production of radio commercials and may not always be true of script writing. Table 19 lists all activities and the percentage of companies who perform these tasks in-house.

Table 19

Activities Done In-House

	Total	Total Retailers	Total Wholesalers	Retail Store Count 1	2-10	11-49	50+
Total Companies	177	147	27	21	52	36	31
	100%	100%	100%	100%	100%	100%	100%
Design Black/White Ads	88%	86%	100%	67%	83%	92%	97%
Design 4-Color Ads	58%	55%	78%	38%	29%	69%	94%
Design/Produce Company News Booklets	46%	41%	78%	14%	27%	56%	68%
Write Scripts	45%	45%	44%	38%	40%	56%	45%
Typesetting	37%	33%	59%	-0-	17%	42%	71%
Photograph	31%	29%	41%	5%	14%	36%	65%
Produce Radio Commercials	27%	27%	30%	24%	17%	39%	29%
Develops Slide Presentations	25%	20%	52%	5%	4%	25%	52%
Produce TV Commercials	15%	13%	26%	-0-	2%	19%	26%

One activity addressed separately was printing. Sixty-four percent of all companies said that their companies did not have in-house printing capabilities. Eighteen percent said that they had printing capabilities in the advertising department and another eighteen percent said that this capability was in a department other than advertising, most probably in a print shop.

Other Methods for Activities

Companies who answered that they did not have a position with primary advertising responsibility were also asked who performed various activities involving advertising.

The first activity explored was the designing of newspaper ads. Overall, retailers depend equally on wholesalers and their own personnel to supply expertise in designing newspaper ads. Table 20 presents the results for this question. Because companies may rely on more than one firm or individual to perform this activity, the percentages will sum to more than 100 percent.

Table 20

Who Designs Newspaper Ads*

	Total	Retail Store Count		
		1	2-10	11-49
Total Companies	90	30	53	7
Someone in the Firm	39%	27%	43%	43%
Wholesaler	39%	57%	32%	14%
Ad Agency	13%	7%	15%	29%
Free Lance	3%	-0-	6%	-0-
Newspaper	19%	10%	23%	29%
Not Applicable	6%	10%	4%	-0-

* Multiple answers accepted.

The next activity investigated was television advertising (see Table 21). A large portion of the companies (42 percent) said this was not applicable to their company. Twenty-six percent of the companies said that wholesalers handled their television advertising and a like number said they hired ad agencies.

Table 21

Who Handles Television Advertising*

	Total	Retail Store Count		
		1	2-10	11-49
Total Companies	85	28	51	6
Someone in the Firm	16%	14%	16%	33%
Wholesaler	26%	43%	20%	-0-
Ad Agency	26%	21%	24%	67%
Free Lance	1%	-0-	2%	-0-
Not Applicable	42%	32%	51%	17%

* Multiple answers accepted.

Close to a majority (48 percent) have the expertise in-house to handle their own radio advertising. About 20 percent also rely on wholesalers and ad agencies.

Table 22

Who Handles Radio Advertising*

	Total Retail	Retail Store Count 1	2-10	11-49
Total Companies	86	28	52	6
Someone in the Firm	48%	43%	50%	50%
Wholesaler	20%	25%	19%	-0-
Ad Agency	21%	11%	21%	67%
Free Lance	**	-0-	2%	-0-
Newspaper	**	-0-	2%	-0-
Not Applicable	19%	25%	17%	-0-

* Multiple answers accepted.
** Less than one percent.

Mailers and flyers are usually designed by either the wholesalers or someone within the firm. Almost half of all store operators depend on the wholesaler to design these promotions (see Table 23).

Table 23

Who Designs Mailers/Flyers*

	Total	Retail Store Count 1	2-10	11-49
Total Companies	88	29	53	6
Someone in the Firm	41%	38%	42%	50%
Wholesaler	47%	59%	43%	17%
Ad Agency	17%	3%	21%	50%
Free Lance	3%	3%	4%	-0-
Newspaper	5%	3%	6%	-0-
Not Applicable	5%	10%	2%	-0-

* Multiple answers accepted.

There is no pattern in who creates the in-store signage in those companies without a person with primary advertising responsibility (see Table 24). Generally, someone in the store, whether that be the store manager or other store level personnel, serves this function.

Table 24

Who Creates In-store Signage

	Total	Retail Store Count 1	2-10	11-49
Total Companies	84	28	51	5
	100%	100%	100%	100%
Store Manager	17%	11%	20%	20%
Store Level Personnel	17%	7%	24%	-0-
Wholesaler	17%	18%	16%	20%
Department Manager	14%	21%	12%	-0-
Contracted Out	11%	14%	8%	20%
Top Executive	8%	18%	4%	-0-
In-House Sign Shop	4%	4%	4%	-0-
Miscellaneous	12%	7%	12%	40%

Media Use

Regardless of whether certain media are included in the advertising budget, as discussed in Table 12, many forms of media are used by companies to advertise. By far the most popular type of media employed by food companies for advertising is the newspaper. Ninety-four percent of the companies make use of newspapers, with retailers at 94 percent and wholesalers at 88 percent. Following next are mailers and flyers at 79 percent and radio at 73 percent. The usage for each type of media is illustrated in Table 25.

Table 25

Type of Media Used by Companies to Advertise

	Total	Total Retailers	Total Wholesalers	Retail Store Count 1	2-10	11-49	50+
Total Companies	201	174	25	30	67	41	30
	100%	100%	100%	100%	100%	100%	100%
Newspaper	94%	94%	88%	87%	94%	98%	100%
Mailer/Flyer	79%	76%	96%	67%	69%	88%	93%
Radio	73%	71%	84%	53%	58%	90%	93%
Television	47%	43%	76%	3%	25%	66%	83%
Billboards	22%	21%	32%	10%	13%	27%	40%
Magazines	11%	11%	12%	3%	6%	10%	33%
Cable TV	10%	11%	4%	3%	8%	12%	27%

Ad Agencies

The majority of companies do not retain an ad agency on a regular basis. The data for each category are presented in Table 26.

Table 26

Retaining an Ad Agency on a Regular Basis

	Total	Total Retailers	Total Wholesalers	Retail Store Count 1	2-10	11-49	50+
Total Companies	226	196	27	34	80	44	31
	100%	100%	100%	100%	100%	100%	100%
Yes	40%	40%	48%	15%	15%	54%	68%
No	60%	60%	52%	85%	70%	46%	32%

Advertising Effectiveness

Sixty-seven percent of all companies replied that they use one or more methods to measure the effectiveness of their advertising. Of those who said that they did employ some method, 78 percent said that one method used was tracking sales before and after the impact of the ad. A large majority in all segments used this method. Seven other methods were mentioned by a smaller percentage of companies (see Table 27). Within the retail store categories, several methods emerged as significant secondary methods. For instance, 35 percent of retail companies with 50 or more stores use market research. Thirty-two percent of all one-store operators communicate with customers to get their reaction to ads and 21 percent check inventory movement.

Table 27

Methods Used to Measure Effectiveness of Ads*

	Total	Total Retailers	Total Wholesalers	Retail Store Count 1	2-10	11-49	50+
Total Companies	156	130	23	19	46	34	26
Sales	78%	79%	78%	68%	74%	79%	96%
Coupon Redemption	12%	12%	9%	16%	20%	9%	4%
Inventory Movement	14%	15%	9%	21%	11%	18%	15%
Customer Reaction	12%	12%	13%	32%	13%	6%	4%
Customer Traffic	12%	12%	13%	-0-	13%	9%	19%
Customer Survey	12%	12%	17%	5%	11%	18%	8%
Market Research	13%	14%	9%	5%	4%	18%	35%
Management Reaction	3%	2%	4%	-0-	2%	-0-	4%

* Multiple answers accepted.

# # #

BEST AVAILABLE COPY

THE ADVERTISING FUNCTION AND DEPARTMENT

Advertising is important to the growth of every business. It informs customers that you are in business and have merchandise for sale. Plus, it conveys an image of what you are and what you stand for. Some companies have an executive whose main function is advertising. Others may employ the services of someone outside the company to fulfill their advertising needs.

This questionnaire has been designed in order to give a profile of the advertising function in the food industry. Your answers will help develop this profile.

Does your company have someone who is primarily responsible for the advertising function? ☐Yes ☐No

IF YES, please have that person complete the attached tan questionnaire.

IF NO, please complete the following questions:

1 Who accomplishes each of the following functions? (Please check as many as apply.)

	Someone in the firm	Whole-saler	Ad Agency	Free-lance	News-paper	Not Applicable
Who designs newspaper ads	☐	☐	☐	☐	☐	☐
Who handles TV	☐	☐	☐	☐	☐	☐
Who handles Radio	☐	☐	☐	☐	☐	☐
Who designs mailers/flyers	☐	☐	☐	☐	☐	☐

2 Who selects the sale items? Please specify by title(s) and function(s) such as Vice President Operations, Product Department Manager.

_____

_____

3 Who creates your in-store signage? Please specify by title(s) and function(s) or type of company._____

Thank you for your time and attention to this project. A complete report will be sent to your attention.

Please return this survey to:

Judith Anne Kozacik
Food Marketing Institute
1750 K St., NW
Washington, DC 20006

SAMPLE

NAME_____

COMPANY_____

CITY AND STATE_____

NUMBER OF STORES_____

ADVERTISING IN THE FOOD MARKETING INDUSTRY

In order to profile the Advertising function in food retail and wholesale companies, we ask that you complete as much of this questionnaire as you are able. Your information is very important and will help FMI develop services which will benefit its membership. Each question relates to the entire company.

A. ORGANIZATION

1 What is the title and function of the senior executive in your company with the responsibility for advertising (such as Director of Advertising, Vice President, Marketing?) _____

2 What proportion of this person's time is spent on advertising _____%

3 To whom does this person report? _____

4 How many employees are in the advertising department? Please include fractional time if a person works in more than one department. Include all divisions.

_____clerical _____professional

5 Who in your company is (are) responsible for selecting advertised or sale items?

_____
(title and function)

6 Please trace the approval process of a typical ad, after the product has been selected to the final ad before it is placed.

Initiator(s)_____
(title and function)

_____

_____

Final Approver(s)_____

B. BUDGET

7 What percentage of your total sales was invested in advertising by your company? _____%

8 Are co-op dollars included in this percentage? ☐yes ☐no

9 What percent of your advertising expenses are co-op?
_____%

10 What percentage of your advertising budget was spent on:

newspaper?	_____%
radio?	_____%
television?	_____%
mailer/flyer?	_____%
in-store coupons?	_____%
billboards?	_____%
magazines?	_____%
other?	_____%
TOTAL	100 %

11 How has your budget for 1982 changed from 1981? For example, increased 5%, decreased 3%. _____

12 If you are a retailer, how is your advertising budget determined? If a wholesaler, your promotional budget?_____
_____

13 Does inflation play a part in determining budget? ☐yes ☐no

14 Do you charge back for any activities you perform for another department? Please check as many as apply.

☐yes - salaries ☐yes - overhead ☐no
☐yes - expenditures

15 Of the following, which are included in the advertising budget? Please check.

☐television air time
☐advertising personnel salaries
☐radio air time
☐production
☐agency fees
☐promotions
☐signage
☐institutional advertising
☐consumer research
☐print advertising
☐no advertising budget

BEST AVAILABLE COPY

C. ACTIVITIES

16 Does your company use video for any of the following? Please check as many as apply.

	No	Yes	Produced In-House	Produced Out-of-House
promotional sales	☐	☐	☐	☐
commercials, TV spots	☐	☐	☐	☐
in-store training	☐	☐	☐	☐
public relations	☐	☐	☐	☐
company communications	☐	☐	☐	☐
investor relations	☐	☐	☐	☐
other, please specify	☐	☐	☐	☐

17 Please check the activities which your advertising department is actually doing in-house:

☐design print ads, black and white
☐design print ads, four color
☐typesetting

☐develop slide presentations
☐photography
☐design/produce company news booklets

☐write script
☐produce radio commercials
☐produce TV commercials

18 Does your company have in-house printing capabilities?

☐yes, in ad department
☐yes, in another department _____ department

☐no

19 Please check the media used by your company to advertise and who performs this function. Please check as many as apply.

	Use	Production In-house	Production Ad Agency	Production Free-lance
newspapers	☐	☐	☐	☐
television	☐	☐	☐	☐
cable TV	☐	☐	☐	☐
billboards	☐	☐	☐	☐
radio	☐	☐	☐	☐
mailer/flyers	☐	☐	☐	☐
magazines	☐	☐	☐	☐

20 Does your company retain an ad agency on a regular basis?
☐yes ☐no

21 How do you measure the effectiveness of your advertising?

_____

_____

Thank you for your time and attention to this project. A complete report will be sent to your attention.

Please return this survey to: Judith Kozacik
Food Marketing Institute
1750 K St. NW
Washington, DC 20006

SAMPLE

NAME _____

COMPANY _____

CITY AND STATE _____

NUMBER OF STORES _____

Please check:

☐Retailer ☐Wholesaler

Annual Sales: ☐$0 - 10 Million
☐$10 - 30 Million
☐$31 - 100 Million
☐$101 - 250 Million
☐$251 - 500 Million
☐$500 Million - $1 Billion
☐Over $1 Billion

FOOD MARKETING INSTITUTE

1750 K Street, N.W., Washington, D.C. 20006
Telephone: (202) 452-8444 Telex: 892722 FMI USA WSH